

Message Text

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TO AMEMBASSY VIENNA PRIORITY
INFO USMISSION USUN NEW YORK

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VIENNA FOR UNIDO

E.O. 11652: N/A

TAGS: UNIDO, EAID

SUBJECT: UNIDO INDUSTRIAL DEVELOPMENT BOARD, 12TH SESSION,
MAY 16-26, 1978

REF: FALKNER/DEMPSEY TELCON OF MAY 16

1. DEPARTMENT COMMENTS ON AGENDA ITEM 10, "TRANSNATIONAL
CORPORATIONS AND THE PROCESSING OF RAW MATERIALS," REFERRED
TO IN THE FALKNER/DEMPSEY TELCON FOLLOW. DELEGATION MAY
WISH TO DRAW ON THIS MATERIAL IN PREPARING REMARKS ON THE
AGENDA ITEM.

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2. SEVERAL RECENT STUDIES, INCLUDING SOME UNDERTAKEN BY
THE WORLD BANK AND THE PRIVATE SECTOR, HAVE NOTED HOW
PRIVATE INVESTMENT IN THE MINERALS SECTOR DURING THE PAST
DECADE HAS FLOWED PREDOMINATELY TO THE DEVELOPED COUNTRIES,
PARTICULARLY THE U.S., CANADA, AND AUSTRALIA. THESE
STUDIES HAVE FURTHERMORE NOTED THAT THE POLITICAL RISK
OF INVESTMENT IN THE DEVELOPING COUNTRIES AT THIS TIME

APPEARS UNACCEPTABLE TO THE MAJOR MINING FIRMS.

IN ORDER TO MEET THE WORLD'S NEEDS FOR CERTAIN CRITICAL
RAW MATERIALS, A VERY LARGE AMOUNT OF CAPITAL WILL NEED
TO FLOW TO THE DEVELOPING COUNTRIES DURING THE NEXT
DECADES. BILATERAL AND MULTILATERAL DEVELOPMENT AGENCIES

HAVE INSUFFICIENT FUNDS TO MEET THIS NEED. THERE IS LITTLE
REALISTIC ALTERNATIVE, THEREFORE, TO FOREIGN PRIVATE
INVESTMENT IN THE LDC MINERAL SECTORS.

DEVELOPING COUNTRIES SHOULD UNDERSTAND THAT IF THEY WISH
TO ATTRACT SUCH INVESTMENT, THEY CAN TAKE STEPS TO
PROVIDE A SUITABLE INVESTMENT CLIMATE. IN OUR VIEW, THE
LDC GOVERNMENTS CAN PROVIDE THE BEST CLIMATE FOR FOREIGN
PRIVATE INVESTMENT BY ESTABLISHING CLEAR AND STABLE RULES
FOR FOREIGN INVESTORS.

THE U.S. ALSO SUPPORTS MULTILATERAL EFFORTS TO EXPLORE
POSSIBILITIES FOR A MULTILATERAL SYSTEM OF INSURANCE
AGAINST THE POLITICAL RISK OF INVESTMENT. THIS IS WHY
AT LAST FALL'S UN GENERAL ASSEMBLY SESSION THE U.S. CO-
SPONSORED A RESOLUTION DRAFTED BY SRI LANKA CALLING FOR A
STUDY OF THE DESIRABILITY AND FEASIBILITY OF SUCH A MULTI-
LATERAL INSURANCE SYSTEM. VANCE

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